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SUBJECT: CONFLICTING AUSTRALIAN MEDIA REPORTS CHINA AS  
REDEEMER AND RISK

11. (U) SUMMARY: The front page headlines of most major newspapers on July 17 highlighted Australia's growing obsession with China and the contradiction between the PRC's role powering the Australian economy and the uncertainty about what the relationship will mean for Australia. Two major national papers carried breathless headlines that the 7.9% growth in Chinese GDP for the June quarter has given Australia renewed hope of a quicker recovery. Two other major papers headlined that China was reprimanding Australia for its efforts on behalf of detained Australian Rio Tinto executive Stern Hu. End Summary.

12. (U) The Australian media's recent coverage reflects the broader contradiction between China as a driving force behind Australian prosperity and China as a potential threat. On July 17 some papers headlined that China will "Rescue the World and Australian Economies" while other headlines described China scolding Australia with headlines like "China Tells Australia to Butt Out". Articles from the Australian Financial Review (owned by the Fairfax Media Group, which is traditionally viewed as tilting toward the Labor Party) and The Australian (the flagship of the Rupert Murdoch-owned News Corporation press in Australia) headlined China (with its 7.9% GDP growth last quarter) as Australia's knight in shining armor coming to pull Australia out of the financial slump and restoring hope for Australians worried about the global economic crisis. They reminded readers that iron ore shipments to China hit a record in the first half of the year and proved pivotal in returning to GDP growth of 0.4% in Australia in the March quarter (Iron ore made up 60% of Australian exports to China last year). However, the Fairfax-owned Sydney Morning Herald and Melbourne Age carried front page articles discussing China's reaction to Stern Hu's detention highlighting a strained China-Australia relationship. They described China criticizing Australia for trying to get involved in China's judicial system and warning Australia that interfering is not in Australia or Hu's best interests. They also noted that China recently entered into negotiations with Brazil's Vale for lower prices in return for higher export volumes possibly causing Rio Tinto (Australia's largest iron ore exporter) to suffer a significant drop in sales. Treasurer Swan and Foreign Minister Smith told the press they are concerned about damage to economic relations with China with the detainment of Rio Tinto's Stern Hu.

13. (SBU) COMMENT: These conflicting reports highlight the two sides that have emerged in the media with differing views on what role China should play in Australia's future. There is clearly mounting discussion in the media over the Stern Hu

detention and the implications for the safety of Australians doing business in China versus the fact that China is a major economic player that many consider as the engine that will pull Australia out of the economic crisis. End Comment.

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